

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**HB 709 - SB 778**

March 11, 2023

**SUMMARY OF BILL:** Requires the Department of Human Services (DHS) to obtain specific authorization from the Tennessee General Assembly (TGA) prior to seeking, applying for, accepting, or renewing a waiver of work requirements established by the Supplemental Nutrition Assistance Program (SNAP). Prohibits DHS from exercising the state's option to provide an exemption from work requirements for SNAP beneficiaries. Requires DHS to assign all individuals subject to work requirements to employment and training (E&T) programs.

**FISCAL IMPACT:**

**Increase State Expenditures – \$139,438,500/FY23-24  
\$139,043,500/FY24-25 and Subsequent Years**

**Increase Federal Expenditures – \$361,825,100/FY23-24  
\$361,430,000/FY24-25 and Subsequent Years**

**Assumptions:**

- Pursuant to 7 U.S.C. § 2015(o)(6)(E), states are authorized to provide exemptions as they see fit from work requirements for SNAP beneficiaries so long as the number of exemptions during any given fiscal year does not exceed 12 percent of the total number of covered individuals in the state.
- Currently, employment and training programs are voluntary to SNAP beneficiaries.
- As of October, 2022, there were 167,041 SNAP participants subject to work requirements, 6,008 of whom were voluntarily participating in E&T programs.
- Under the proposed legislation, all SNAP participants would be required to participate in E&T programs, meaning there would be an increase of 161,033 (167,041 – 6,008) participants.
- E&T programs are currently funded in three different parts: a 100 percent federal award for E&T services, a 50 percent federal match for administrative services, and a 50 percent federal match for support services.
- Using the current cost per participant in E&T programs, the proposed legislation would result in an increase in expenditures of:
  - \$222,386,573 (\$1,381 per participant x 161,033 participants) in federal funding for E&T services;

- \$174,398,739 (\$1,083 per participant x 161,033 participants) for administrative services, which would be \$87,199,370 (\$174,398,739 X 50%) in federal funding and \$87,199,370 (\$174,398,739 X 50%) in state funding;
- \$98,713,229 (\$613 per participant x 161,033 participants) for support services, which would be \$49,356,615 (\$98,713,229 X 50%) in federal funding and \$49,356,615 (\$98,713,229 X 50%) in state funding.
- The current adverse action and termination rate for SNAP beneficiaries who are not under a work exemption is about 11 percent.
- It is assumed that the rate of adverse action and termination will be similar for the additional 161,033 participants who are now required to participate in E&T programs, or 17,714 (161,033 x 11%) participants.
- Assuming 5 percent of these terminated participants appeal the termination, this will result in an increase of 886 (17,713 x 5%) appeals.
- The expected number of annual appeals is 1,556. Assuming this number stays constant, the total number of appeals in FY23-24 will be 2,442 (1,556 + 886).
- Therefore, the proposed legislation would create a 57 percent  $[(2,442 - 1,556) / 1,556 \times 100\%]$  increase in the number of appeals.
- In order to manage this increase in appeals, DHS would need to hire the following positions:
  - One Administrative Secretary, which will create a recurring increase in expenditures of \$59,692 (\$44,904 salary + \$14,788 benefits) in FY23-24 and subsequent years;
  - One Administrative Services Assistant 5, which will create a recurring increase in expenditures of \$84,990 (\$66,600 salary + \$18,390 benefits) in FY23-24 and subsequent years;
  - 15 Associate Counsels, which will create a recurring increase in expenditures of \$2,401,275  $[(\$131,004 \text{ salary} + \$29,081 \text{ benefits}) \times 15 \text{ positions}]$  in FY23-24 and subsequent years;
  - Two Clerk 3s, which will create a recurring increase in expenditures of \$102,594  $[(\$37,704 \text{ salary} + \$13,593 \text{ benefits}) \times 2 \text{ positions}]$  in FY23-24 and subsequent years;
  - 15 DHS Program Coordinators, which will create a recurring increase in expenditures of \$1,150,590  $[(\$59,496 \text{ salary} + \$17,210 \text{ benefits}) \times 15 \text{ positions}]$  in FY23-24 and subsequent years;
  - One DHS Program Director 1, which will create a recurring increase in expenditures of \$107,265 (\$85,704 salary + \$21,561 benefits) in FY23-24 and subsequent years;
  - 11 DHS Program Specialists, which will create a recurring increase in expenditures of \$761,739  $[(\$53,100 \text{ salary} + \$16,149 \text{ benefits}) \times 11 \text{ positions}]$  in FY23-24 and subsequent years;
  - And four Legal Assistants, which will create a recurring increase in expenditures of \$306,824  $[(\$59,496 \text{ salary} + \$17,210 \text{ benefits}) \times 4 \text{ positions}]$  in FY23-24 and subsequent years.
- The total increase in expenditures associated with new positions is \$4,974,969 (\$59,692 + \$84,990 + \$2,401,275 + \$102,594 + \$1,150,590 + \$107,265 + \$761,739 + \$306,824)

in FY23-24 and subsequent years, which will be covered using 50 percent federal funding and 50 percent state funding.

- Therefore, there will be an increase in expenditures of \$2,487,485 ( $\$4,974,969 \times 50\%$ ) in federal funding and \$2,487,485 ( $\$4,974,969 \times 50\%$ ) in state funding in FY23-24 and subsequent years.
- In order to inform SNAP beneficiaries of the E&T program rule change and the removal of exemptions, DHS will be required to do a mass mailing to all 412,779 work exempt and non-exempt SNAP beneficiaries.
- It is assumed the cost of supplies and postage will average \$0.71 per mailing, resulting in a one-time increase in expenditures of \$293,074 ( $\$0.71 \times 412,779$ ), which would be paid for with \$146,537 ( $\$293,074 \times 50\%$ ) in federal funds and \$146,537 ( $\$293,074 \times 50\%$ ) in state funds in FY23-24.
- There will also be a one-time increase in expenditures associated with modifying DHS's current online eligibility system that is estimated to be \$497,000, which will be paid for with \$248,500 ( $\$497,000 \times 50\%$ ) in federal funding and \$248,500 ( $\$497,000 \times 50\%$ ) in state funding in FY23-24.
- Due to the time and resources required to modify DHS's online system, it is not possible that the system changes will be in place by the time the proposed legislation goes into effect.
- The total increase in state expenditures as a result of the proposed legislation will be \$139,438,507 ( $\$87,199,370 + \$49,356,615 + \$2,487,485 + \$146,537 + \$248,500$ ) in FY23-24, and \$139,043,470 ( $\$87,199,370 + \$49,356,615 + \$2,487,485$ ) in FY24-25 and subsequent years.
- The total increase in federal expenditures as a result of the proposed legislation will be \$361,825,080 ( $\$222,386,573 + \$87,199,370 + \$49,356,615 + \$2,487,485 + \$146,537 + \$248,500$ ) in FY23-24, and \$361,430,043 ( $\$222,386,573 + \$87,199,370 + \$49,356,615 + \$2,487,485$ ) in FY24-25 and subsequent years.
- SNAP E&T programs receive two types of funding: a capped allotment of 100 percent federal funds, and then a 50 percent federal reimbursement match to state dollars. In order to qualify for the 50 percent federal match, the state must provide a description of the programs and a proposed budget.
- According to information provided by DHS, they do not expect to be able to receive federal approval to the changes to the E&T program description and proposed budget by the time of implementation. Therefore, DHS risks the loss of the 50 percent federal match until the new plan receives approval.

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

/cd